ASSIGNMENTS

OF

PATENT RIGHTS.

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Extract from Lecture Delivered before certain Law Colleges, and Published (two editions exhausted) in 1912, Concerning Several Decisions of the Courts, Regarding the Effect of Recording Certain Writings.

ASSIGNMENT BY PROCESS OF LAW.

Very little consideration is given by most patent attorneys to matters in relation to title, until a complicated case of ownership is presented to them for determination

or disentangling, whereupon they usually attempt to apply the common law principles of transferring personal property.

In transfers of Patents there is a very general misunderstanding among the laity, and also among a great many of the legal profession, and that is, that patent property may be transferred as is personal property. The reason for this misunderstanding is, that it is not appreciated that patent property is established by statute, and therefore assignments thereof cannot be treated under the common law. In Robinson on Patents, Vol. 2, paragraph 766, the learned author states:

> "The rule that an assignment can be made only by the actual owner of the patented invention admits of no exception in the interest of creditors. Valuable as his property therein may be, it cannot be subjected to the payment of his debts by any of the ordinary methods of involuntary alienation. This is not due to any peculiar sanctity which the law attaches to this class of property, but to the fact that the statutes which create the monopoly provide no other mode of transferring it than through the voluntary act of its real owner. The ownership of a patented invention cannot be seized and sold on execution by a sheriff like a personal chattel, nor like other incorporeal rights does it vest in a receiver or a trustee in insolvency by virtue of the judicial decree of the court by which these various officials are appointed. Thus neither a bankrupt court nor a court of equity, nor any person acting under its authority, can affect the ownership of a patented invention without the actual or presumed co-operation of the individual in which such ownership is vested by the issue of the patent or by assignment from the patentee. Either of these courts may have the power to compel the owner to transfer the ownership by an assignment to the receiver or trustee, and a court of equity, on his refusal, may treat the equitable rights as vested in the creditors and appoint a trustee for the owner to convey the legal title, **in his name and behalf**, to the officer in charge of his bankrupt estate, but the title in all such cases is still derived from him on whom it was originally conferred. That Congress has the power at any time to meet this difficulty by creating methods of involuntary alienation there can be no doubt, but in the absence of such statutes and judicial orders the patented invention remains entirely and exclusively under the control of its owner, and may be retained or conveyed by him at his pleasure without reference to any existing condition of insolvency."

It will be observed that the above authority recites very clearly "that Congress has the power at any time to meet this difficulty," and Congress has by the Federal Bankrupt Act, (Act of July 1, 1898, 30 Stat. 565) enacted since the foregoing was written, provided for the vesting in the Trustee in Bankruptcy by process of law, the title of a bankrupt to all "interest in patents, patent rights, copyrights and trade-marks," but Congress has not as yet provided for the alienation of patent property by other lawful processes except in bankruptcy, and as late as 1909 in the decision Ball v. Coker et al., 168 Fed. Rep., 304, the Circuit Court of the District of South Carolina, Judge Brawley says:

> "It seems to me clear, therefore, that the mere appointment of a receiver does not in itself vest in him the title to a patent which will enable him to maintain a suit for infringement. A state court having jurisdiction of the parties may compel them to execute an assignment to the receiver * * * and in the event that any of the parties decline to execute such an assignment such reasonable time will be given as may enable the parties interested to apply to the state court for such orders as may be necessary to compel the needful assignments."

In Section 805, Vol. 2, Robinson on Patents, there is reiterated the method of properly transferring patents by operation of law, as follows:

> "That courts of equity, acting in aid of courts of law, have the authority to compel the owner of a patented invention to assign it to a trustee or receiver to be sold for the satisfaction of his judgment debts, seems now to be decided."

and cites a number of references so holding.

It is further stated:

> "This method satisfies all the requirements of the law. Where the owner refuses to execute the necessary conveyances, or is incapable of doing so, it has been held that the court of equity, in order to effectuate its own decree, may appoint a trustee to make the assignment **in the name and on behalf of** the recalcitrant or incapacitated owner, and that this conveyance is equivalent to one executed by himself."

Judge Coxe, in the United States Circuit Court of Northern District of New York, in 1896, in the decision Newton v. Buck, 75 O. G., 673, 72 F. R. 777, says:

> "The rule seems to be well settled that an assignment can only be made by the actual owner of the patent; that rights under the patent cannot be sold by a sheriff on execution, and do not, like other incorporeal rights, vest in a receiver."

Attention is also invited to the decision, Underfeed Stoker Co. of Amer. vs. Amer. Ship Windlass Co., 185 F. R. 65.

JOINT OWNERS.

One other important fact in relation to assignments of patents is not understood by the general public, and that is that each of joint owners of patents is at liberty to manufacture, use and to sell his right as he may deem proper, without consent of his joint owner, unless there be a partnership agreement to that effect between them.

In the decision of Blackledge v. Weir & Craig Mfg. Co., 95 O. G., 275; 108 Fed. Rep., 71, the United States Circuit Court, Seventh Circuit, Judge Woods says:

> "The use of an invention by one of the co-owners or by his licensees is not the exercise of the entire monopoly conferred by the patent. That can be effected only by the joint or concurrent action of all owners. The separate action of any one owner or of his licensees can be an exercise or use only of his individual right, which, though exclusive of all besides, is not exclusive of the other patentees, their assignees, or licensees. On principle, therefore, there can be no accountability on the part of a part owner of an invention to other owners for profits made by the exercise of his individual right, whether it be by engaging in the manufacture and sale, or by granting to others licenses, or by assigning interests in the patent. His use of the invention in any lawful way is not an appropriation of anything which belongs to another. The separate rights of the other owners remain unaffected. They are equally free to use the invention in all legitimate ways for their individual profit. Each is entitled to the fruits of his endeavors, taking no risk and expecting no reward from enterprises in which he does not choose to join."

It would therefore not be necessary for a corporation having a large plant to obtain the **entire** right, title and interest in a patent in order to control the sale of the patented article. For if such a corporation having a particularly large plant capable of manufacturing the article at a low figure should obtain a portion of the undivided interest, even a hundredth part or less, it would be enabled to flood the country with the manufactured article, and probably sell the same at a less figure than the inventor or the owner or owners of the other 99-100 parts, provided the latter did not possess a plant to manufacture said article.

Therefore it would seem to be dangerous to transfer a portion of a patent unless the sale thereof was coupled with a partnership agreement.

MORTGAGES.

Should you mortgage real estate property to another, ordinarily you would be left in possession of your property until the mortgage was foreclosed, but in patent property it is entirely different, as the mortgagee becomes vested with the property at once, upon the recording of the mortgage.

In the Supreme Court of the United States in Waterman v. Mackenzie, 54 O. G., 1562, 138 U. S., 252, Mr. Justice Gray says:

> "By a mortgage of **personal property**, differing in this respect from a pledge, it is not merely the possession or a special property that passes, but, both at law and in equity, the whole title is transferred to the mortgagee as security for the debt, subject only to be defeated by performance of the condition or by redemption on bill in equity within a reasonable time, and the right of possession, when there is no express stipulation to the contrary, goes with the right of property."
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> "A mortgage of **real estate** has gradually, partly by the adoption of rules of equity in courts of common law and partly by express provisions of statute, come to be more and more considered as a **mere security** for the debt, creating a lien or incumbrance only and leaving the title in the mortgagor, subject to alienation, levy on execution, dower, and other incidents of a legal estate; but the rules upon the subject vary in different States, and a mortgage is everywhere considered as

passing the title in the land, so far as may be necessary for the protection of the mortgagee and to give him the full benefit of his security."

"When it is provided by statute that a mortgage of personal property shall not be valid against third persons, unless the mortgage is recorded, a recording of the mortgage is a substitute for and (unless in case of actual fraud) equivalent to a delivery of possession, and makes the title and the possession of the mortgagee good against all the world."

"A patent right is incorporeal property, not susceptible of actual delivery or possession; and the recording of a mortgage thereof in the Patent Office, in accordance with the act of Congress, is equivalent to a delivery of possession, and makes the title of the mortgagee complete toward all other persons, as well as against the mortgagor. The right conferred by Letters Patent for an invention is limited to a term of years, and a large part of its value consists in the profits derived from royalties and license fees."

From this decision it will be observed that patent property is to a certain extent treated as are chattels, but more particularly as collateral security. It is somewhat like the pledge of property with a pawnbroker, who holds the property until it is redeemed by repayment of the loan thereon, with interest, but is more particularly like a loan obtained from a bank where collateral security, such as stocks and bonds, has been put up and held by the bank, which is often by power of attorney given the privilege of negotiating or selling said stocks or bonds should they deteriorate in value, in order to protect the loan. This is actual possession of the property, and patents have been so treated, because the actual possession of the **letters patent** granted by the Office is not essential to ownership, inasmuch as the statute provides that the rights conferred by a patent, such as to manufacture, use, sell, and transfer these rights to others, can only be alienated by recording in the Patent Office "an instrument in writing signed by the owner." Therefore, if a mortgage is made of patent property and the same is recorded, it passes the ownership thereof to the mortgagee until the mortgage has been satisfied and a retransfer from the mortgagee back to the mortgagor is recorded.